

STATE OF VERMONT
PUBLIC SERVICE BOARD

Docket No. 7541

Petition of Mountain Water Company pursuant to)
30 V.S.A. § 108 for approval to finance system)
improvements)
)

Order entered: 8/6/2009

I. INTRODUCTION

On June 22, 2009, Mountain Water Company ("MWC" or "Company") filed a petition (the "Petition") with the Vermont Public Service Board ("Board") pursuant to 30 V.S.A. § 108 for approval of long-term financing in the amount of \$290,000 (the "Loan") to fund improvements and upgrades to its water system, and to apply a \$7.42 per-connection capital surcharge to cover debt-servicing costs pursuant to 30 V.S.A. § 225. The Petition was supported by attachments consisting of a proposed amortization schedule, a proposed general tariff and public notice, correspondence with the Vermont Department of Environmental Conservation ("DEC"), correspondence with engineers DuBois & King, Inc. ("D&K"), a D&K Water Reconciliation Study, and other attachments.

On June 24, 2009, the Clerk of the Board notified MWC by electronic mail that additional information on the surcharge tariff portion of the Petition was needed to make the filing complete.

On June 25, 2009, MWC filed the additional information.

On July 15, 2009, MWC notified the Board by letter that it was withdrawing its request for implementation of a capital surcharge but wished to maintain its request for approval of long-term financing.

On July 23, 2009, the Department of Public Service ("DPS") informed the Board by letter that it believes that the requested long-term financing as set forth in the Petition is consistent with the general good of the state, and recommends approval of the Petition without a hearing.

I have reviewed the Petition, and the supporting documents. I conclude that approval of Mountain Water Company's request for long-term financing pursuant to 30 V.S.A. § 108 is appropriate and that such approval may occur without hearing. Based upon the evidence of record and the attachments presented in this docket, and the DPS letter of July 23, 2009, I hereby report the following findings and conclusion to the Board in accordance with 30 V.S.A. § 8.

II. FINDINGS

1. MWC is engaged in the business of providing potable water service to residential and commercial customers at Lincoln Peak at the Sugarbush ski area in Warren, Vermont. The system is comprised of 650 connections including hydrants and four separate water treatment plants serving approximately 1,700 customers. Sources of supply consist of eleven drilled wells and a surface water intake at Clay Brook. D&K Water Reconciliation Study dated 9/8/08; Petition at 2.

2. Pursuant to the terms of a Memorandum of Understanding in Docket No. 6845 between the DPS and MWC, the Company retained D&K in 2006 to conduct an overall water distribution system evaluation to identify and reduce water leakage, and to prioritize other needed improvements to the system. D&K submitted its report on September 8, 2008. D&K found the following deficiencies: (1) a high level (40%) of unaccounted-for water due to pipe leaks and breakages; (2) under-sizing (under 8 inches) of water mains for fire hydrants; (3) improper bedding of pipes especially in areas containing ledge; (4) deficient system mapping and documentation; (5) lost water due to reservoir overflows; and (6) an aging metering system. D&K Water Reconciliation Study dated 9/8/08.

3. In addition, DEC discovered several deficiencies in the MWC water system based on the results of a sanitary survey dated September 18, 2007. DEC found that the system did not comply with the Vermont Water Supply Rule ("VWSR") in the following areas: (1) lack of continuous disinfection capability at Well No. 1; (2) inadequate water pressure under fire-flow conditions; (3) inadequate corrosion controls; (4) the area around Well No. 1 has not been adequately finished; 4) inadequate daily chemical monitoring and monthly reporting;

(5) inadequate storage-tank inspection and cleaning; and 6) lack of an *Operation and Maintenance Manual*. On April 9, 2008, DEC issued a Temporary Permit to Operate until October 1, 2010, to allow time for MWC to correct the deficiencies in its system. DEC Permit dated 4/9/08.

4. On May 15, 2009, DEC notified MWC that funding in the amount of \$290,000 had become available under the Drinking Water State Revolving Fund ("DWSRF") for improvements to MWC's system. The funding consists of a low-interest loan provided and administered by the Vermont Economic Development Authority ("VEDA"). VEDA requires prior Board approval as part of the DWSRF approval process. Petition at 1; DEC letter dated 5/15/09.

5. MWC requests Board approval to finance needed system improvements, as identified in the DEC and D&K studies, in the amount of \$290,000. The term of the Loan is for twenty years at a fixed interest rate of 3%. Principle and interest payments will be made monthly in the amount of \$1,608.33 and will be covered by MWC's existing cash flow. Petition at 2; amortization schedule dated 6/24/09; MWC letter dated 7/13/09.

6. The proceeds of the Loan will be primarily targeted for improvements that bring MWC's system into full compliance with the VWSR: (1) installation of corrosion control at various source locations; (2) replacement of a 40-year-old 11,000-gallon storage tank and pump; (3) upgrade pumping stations with radio-controlled telemetry; (4) replacement of broken water mains and undersized mains at fire hydrants; and (5) water meter testing and replacement. Petition at 1-2.

III. DISCUSSION & CONCLUSION

The studies performed by DEC and D&K describe a poorly designed system which has received insufficient investment in capital infrastructure and maintenance over several years, resulting in a number of system failures which have affected water quality and system reliability. The proposed loan will help MWC correct these deficiencies and bring the water system into compliance with the VWSR for the benefit of ratepayers without increasing rates.

Based upon the foregoing and the evidence in the record, I find that MWC's proposed long-term financing as described above will be consistent with the general good of the State. I therefore recommend that the Board authorize the financing without hearing.

The parties have waived their rights to file exceptions and present arguments under 3 V.S.A. § 811. Therefore, the proposal for decision has not been served on the parties.

Dated at Montpelier, Vermont this 28th day of July, 2009.

s/Jay E. Dudley
Jay E. Dudley
Hearing Officer

IV. ORDER

IT IS HEREBY ORDERED, ADJUDGED AND DECREED by the Public Service Board of the State of Vermont that:

1. The findings, conclusion and recommendation of the Hearing Officer are adopted.
2. The request for financing as set forth in Mountain Water Company's ("MWC") Petition in this docket and as described in the Findings is consistent with the general good of the State of Vermont.
3. Pursuant to 30 V.S.A. § 108, consent is hereby given to MWC to finance needed system improvements through the Vermont Economic Development Authority in a loan amount not to exceed \$290,000 according to the terms and rate consistent with the Findings above.
4. This Order does not constitute approval of MWC's capital structure or of any particular capital or operating expenditure that may be implemented with the proceeds from the long-term financing contemplated in the Petition in this docket. Nothing in this approval shall preclude the Vermont Department of Public Service ("DPS") or any other party, or the Vermont Public Service Board ("Board"), from reviewing or challenging such expenditures or MWC's resulting capital structure.
5. MWC shall inform the Board and the DPS of any material change in the terms and conditions of the financing, if any, prior to closing.
6. Upon request, MWC shall provide the Board and the DPS with a complete set of final loan closing documents within 10 days of the loan closing.

Dated at Montpelier, Vermont, this 6th day of August, 2009.

<u>s/James Volz</u>)	
)	PUBLIC SERVICE
)	
<u>s/David C. Coen</u>)	BOARD
)	
)	OF VERMONT
<u>s/John D. Burke</u>)	

OFFICE OF THE CLERK

FILED: August 6, 2009

ATTEST: s/Susan M. Hudson
CLERK OF THE BOARD

NOTICE TO READERS: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Board (by e-mail, telephone, or in writing) of any apparent errors, in order that any necessary corrections may be made. (E-mail address: psb.clerk@psb.state.vt.us)

Appeal of this decision to the Supreme Court of Vermont must be filed with the Clerk of the Board within thirty days. Appeal will not stay the effect of this Order, absent further Order by this Board or appropriate action by the Supreme Court of Vermont. Motions for reconsideration or stay, if any, must be filed with the Clerk of the Board within ten days of the date of this decision and order.